

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company d/b/a :  
Nicor Gas Company (Tariffs filed April 29, :  
2008) :

08-0363

Proposed general increase in natural gas :  
rates. :

**STAFF GROUP CROSS EXHIBIT 1**

**STIPULATED DATA REQUEST RESPONSES**

The Staff witnesses of the Illinois Commerce Commission and Nicor Gas Company have stipulated that the following data request responses, attached hereto, should be entered into the evidentiary record in the instant rate case proceedings:

JMO 4.01	DLH 33.01
JMO 12.01	DLH 33.02
SK 6.05	MEM 9.01
SK 7.02	CB 4.02 Supp.
JF 2.01	CB 4.03 Supp.
JF 3.06 EX. 1	CB 4.04 Supp.
JF 4.04	CB 4.08 Supp.
JF 12.04	AG (DJE) 8.07
JF 13.03	DAS 2.06
DLH 13.02	DAS 4.03
	DAS 7.16

**OFFICIAL FILE**

I.C.C. DOCKET NO. 08-0363

Staff X Yours Exhibit No. 1

Witness \_\_\_\_\_

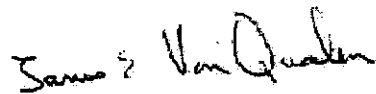
Date 11/19/08 Reporter TG

DAS 7.19	NRC Staff 2.01
CNE 2.12	NRC Staff 3.01
CNE 3.01	
DAS 7.18	

WHEREFORE, Staff respectfully requests that the attached data requests be entered into evidence in this proceeding.

November 19, 2008

Respectfully submitted,



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JANIS E. VON QUALEN  
JENNIFER LIN

Counsel for the Staff of the Illinois  
Commerce Commission

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# JMO 4.01

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**JMO Fourth Set of Data Requests**

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JMO 4.01 Q. Provide actual versus budgeted capital expenditures by functional group for 2005 through 2007 in the same format as the response to Staff's field audit oral data request 13 in the Company's last rate case (Docket No. 04-0779).

JMO 4.01 A. See attached Exhibit 1.

*Witness:* James M. Gorenz

Northern Illinois Gas Company  
d/b/a Nicor Gas Company  
Actual vs. Budget Capital Expenditures  
(in thousands)

Description	2007			2006			2005		
	Actuals	Budget	%	Actuals	Budget	%	Actuals	Budget	%
Distribution	\$ 68,608.3	\$ 73,625.5		\$ 68,953.3	\$ 72,998.9		\$ 79,766.1	\$ 79,548.5	
Storage	15,388.9	11,672.0		10,500.0	8,560.7		15,534.2	17,425.0	
Transmission	2,328.7	1,676.3		2,810.9	1,945.9		2,496.1	1,969.0	
General Plant	19,247.8	18,869.9		25,916.5	24,251.3		34,854.9	42,718.8	
Overheads	53,412.0	56,360.3		55,072.1	55,599.5		51,729.2	52,766.1	
Revenue Generating & Other	35.9	2,000.0		1,293.1	2,300.0		2,044.1	300.0	
	\$ 159,021.6	\$ 164,204.0	-3.2%	\$ 164,545.9	\$ 165,656.3	-0.7%	\$ 186,424.6	\$ 194,727.4	-4.3%

JMO 12.01

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**JMO Twelfth Set of Data Requests**

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JMO 12.01 Q. Does the Company agree that it provided the attached narrative responses and FA Oral 13 Exhibit 1 in response to Staff field audit oral data requests in Docket No. 04-0779?

JMO 12.01 A. Yes. In response to FA Oral data request 13 Exhibit 1, the Company provided its forecast of capital expenditures for 2004 of \$181.3 million which consists of three months of actual data and nine months of forecasted data. The Company's budgeted 2004 capital expenditures were \$165.2 million as noted on line 283 of the Surrebuttal Testimony of Rocco J. D'Alessandro, Nicor Gas Exhibit 37.0.

*Witness:* James M. Gorenz



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February 8, 2005

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CLIENT/MATTER NUMBER  
459420-0106

**VIA E-MAIL AND FIRST CLASS MAIL**

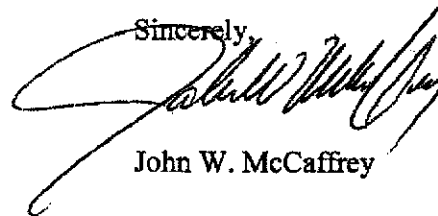
Carmen L. Fosco  
Atty. Office of the General Counsel  
Illinois Commerce Commission  
160 N. LaSalle St., Suite C-800  
Chicago, IL 60601-3104

Re: Nicor Gas Responses to ICC Staff Field Audit Questions

Dear Carmen:

This letter transmits Nicor Gas' responses to oral data requests made by Tom Griffin during Staff's Field Audit from January 25-28, 2005. Please see the attached narrative responses to data requests numbers 1 through 4 and 6 through 13 and accompanying Exhibits. Oral data request number 5 will be provided later this week

Sincerely,



John W. McCaffrey

JWM/kdc

cc: Neil Maloney  
Tom Griffin  
John Feeley  
John Reichart  
Carla Scarsella  
Cheri Harden

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011.581292.1

**CONFIDENTIAL**  
Northern Illinois Gas Company  
d/b/a Nier Gas Company  
Responses to:  
Witness Concerning Commission  
on the Gas Market  
84-0779  
Ord Request from Staff

**Nier Gas Capital Budget (in thousands)**

Description	2004		2003		2002		2001		2000		1999		1998		Total Period	
	Actuals (a)	Budget %	Actuals	Budget %	Actuals	Budget %	Actuals	Budget %	Actuals	Budget %	Actuals	Budget %	Actuals	Budget %	Actuals	Budget %
Distribution	78,871.9	77,822.0	77,046.0	56,844.0	70,872.7	69,177.3	60,555.0	87,725.5	60,094.6	61,135.8	59,769.6	51,857.0	48,867.4	50,221.5	485,878.3	443,725.0
Storage	8,611.8	8,415.0	10,581.3	11,200.0	18,144.3	28,342.4	8,167.0	6,954.0	4,322.4	4,953.8	4,597.5	4,928.0	4,023.5	4,548.0	57,437.0	70,341.3
Transmission	1,966.7	1,992.0	1,432.8	2,050.0	1,884.5	1,576.6	835.6	1,659.0	1,777.3	1,880.8	2,637.0	1,916.0	2,086.0	1,852.3	12,683.2	13,239.7
General Plant	37,022.2	38,044.0	26,289.1	31,183.0	29,583.7	40,792.9	31,100.0	30,791.4	23,412.6	37,885.7	24,066.8	44,066.9	26,579.1	48,306.5	201,177.5	281,102.4
Overhead	46,740.6	46,154.1	48,658.6	47,085.0	43,760.3	31,843.1	33,671.6	24,120.7	32,768.3	23,082.3	31,914.8	25,439.2	30,937.3	25,384.0	272,865.7	227,198.5
Revenue Generating & Other	(776.5) (b)	5,480.0	4,935.7	8,590.0	7,093.0	7,408.6	5,978.9	1,500.0	2,225.6	5,125.0	2,418.0	1,700.0	0.0	0.0	21,853.7	29,803.6
	176,137.8	187,207.1 3.4%	172,881.4	160,042.0 8.0%	146,531.0	131,144.9 11.4%	140,756.1	142,158.8 8.2%	134,568.1	134,783.5 7.6%	137,424.3	138,799.1 1.8%	113,452.3	136,034.8 17.2%	1,031,885.4	1,063,470.8 3.1%

(a) Actuals for 2004 are based on preliminary results.  
(b) Includes (\$1,145.9) accounting adjustment for customer deposits

**SK 6.05**

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to Illinois Commerce Commission**  
**ICC Docket No. 08-0363**  
**SK Sixth Set of Data Requests**

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- SK 6.05      Q.      For each company in Dr. Makholm's gas sample, please provide the following:
- a.      identify of all regulatory rate adjustment or expense recovery mechanisms (e.g. tariff mechanisms similar to the Company's proposed VBA, UEA, CUA or QIP, weather normalization rate design, etc.) the sample company has in place;
  - b.      the date each mechanism became effective;
  - c.      the percentage of the sample company's revenue each mechanism composes; and
  - d.      the adjustment to the authorized rate of return on common equity or rate base, as applicable, the regulatory commission imposed for each approved mechanism.

- A.      a)      The following table includes the rate adjustment and expense recovery mechanisms identified in our investigation:

Company	State	Mechanism	Date Effective
Avista Corp.	WA	Decoupling Rate Adjustment	2/1/2008
Piedmont Nat Gas	TN	Weather Normalization	11/1/2003
Vectren Corp.	IN	Gas Cost Adjustment	10/1/2008
Vectren Corp.	IN	Normal Temperature	2/14/2008

- b)      Refer to the above table for effective dates.
- c)      We have not performed this analysis as it is beyond the scope of Dr. Makholm's testimony.
- d)      In reviewing the relevant orders issued by the Commissions in each rate case, we find that no adjustments have been made to any authorized returns on equity that resulted from the approval of the mechanisms listed above.

*Witness:* Jeff D. Makholm, Ph.D.

SK 7.02

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**SK Seventh Set of Data Requests**

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SK 7.02     Q.    Mathematically demonstrate how faster growth in productivity results in higher growth in earnings. (Nicor Gas Ex. 25.0, p. 12) Further, define all variables used in that mathematical demonstration. Finally, illustrate the mathematical demonstration with a numerical example and specify all assumptions used.

SK 7.02     A.    Please see attached Exhibit 1.

*Witness:*     Jeff D. Makholm, Ph.D.

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Exhibit No. 25.13  
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# RELATIVE EFFICIENCY AND THE X-FACTOR IN INCENTIVE REGULATION

from company efficiency is going to run into problems than cannot be overcome in an objective manner. The DEA/Malmquist procedure cannot possibly control for all the environmental factors that determine a company's performance. Moreover, random shocks ("noise") in these unexplained factors can lead to further downward bias in the "frontier" and hence to a further underestimation of a company's performance.

The X-Factor remains a highly useful part of incentive regulation. The DEA/Malmquist procedure, however, is a devilishly convenient but ultimately unreliable procedure, inconsistent with the principles of incentive regulation. It is based on assumptions of production technologies and not on theory supported by the economic literature or valid empirical work. It has no support in the economic literature on the theory of index numbers and is contrary to the accepted theory regarding the incentives that price caps are supposed to embody. It is also contrary to the use of the DEA/Malmquist procedure in the analysis of nonregulated businesses where in contrast to network operations the inputs are controlled, and it has manifestly clear and unavoidable empirical problems.

## Appendix A

### The Derivation of the PBR formula:

Assume the price cap plan begins with appropriate prices so that the value of total inputs (including a normal return on capital) equals the value of total output for the company as well as the industry. For the industry, we can write this relationship as

$$\sum_{i=1}^N p_i Q_i = \sum_{j=1}^M w_j R_j$$

where the industry has  $N$  outputs ( $Q_i, i=1, \dots, N$ ) and  $M$  inputs ( $R_j, j=1, \dots, M$ ) and where  $p_i$  and  $w_j$  denote output and input prices, respectively. We want to calculate a productivity target for a company based on industry average productivity growth.

Differentiating this identity with respect to time yields

$$\sum_{i=1}^N p_i Q_i \cdot \sum_{i=1}^N \frac{p_i}{p_i} \frac{\dot{Q}_i}{Q_i} = \sum_{j=1}^M w_j R_j \cdot \sum_{j=1}^M \frac{w_j}{w_j} \frac{\dot{R}_j}{R_j}$$

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Assumption:

Value of inputs = value of outputs

All variables are defined as described in the text

Docket No. 08-0363  
Exhibit No. 25.13  
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THE LINE IN THE SAND

where a dot (.) indicates a derivative with respect to time. Dividing both sides of the equation by the value of output ( $REV = \sum p_i Q_i$  or  $C = \sum w_j Y_j$ ), we obtain

$$\sum p_i \left( \frac{Q_i}{REV} \right) \cdot \sum Q_i \left( \frac{P_i}{REV} \right) = \sum w_j \left( \frac{Y_j}{C} \right) + \sum w_j \left( \frac{Y_j}{C} \right)$$

where  $REV$  and  $C$  denote revenue and cost. If  $rev_i$  denotes the revenue share of output  $i$ , and  $c_j$  denotes the cost share of input  $j$ , then

$$(1) \quad \sum_i rev_i \dot{Q}_i + \sum_j c_j \dot{Q}_j = \sum_j rev_j \dot{Q}_j + \sum_j c_j \dot{Q}_j$$

where  $\dot{Q}$  denotes a percentage growth rate  $\dot{Q} = \frac{dQ}{dt}$ . The first term in equation (1) is the revenue-weighted average of the rates of growth of output prices, and the second is the cost-weighted average of the rates of growth of input prices. The term in brackets is the difference between weighted averages of the rates of growth of outputs and inputs. It thus is a measure of the change in TFP. Rewriting the equation for clarity, we see that

$$dp^* = d\omega - dTFP$$

In other words, the theory underlying the annual price cap adjustment formula implies that the rate of growth of a revenue-weighted output price index is equal to the rate of growth of an expenditure-weighted input price index plus the change in total factor productivity (TFP). This equation shows that TFP is the appropriate foundation for a productivity target in the price cap plan. If the price cap plan begins with revenues that just match costs for a company, and if it attains the same productivity growth as the industry (measured in terms of TFP), then that company's revenues will continue to match its costs.

Applying this rule more generally to admit the possibility of exogenous cost events outside of a regulated company's control, we may write

$$dp^* = d\omega - dTFP$$

where  $dp^*$  represents the annual percentage change in industry output prices inclusive of these exogenous costs, and  $d\omega$  represents the annual percentage change in input prices. To raise or lower industry output prices in order to track exogenous changes in cost, we write

$$(2) \quad dp = d\omega - dTFP + Z^*$$

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To keep total revenue = total cost:

$$\text{ie: } \Delta \text{ in Revenues} = \Delta \text{ in Costs}$$

minus  $\Delta$  Productivity

ie: the larger the productivity growth, the smaller the growth rate of revenues vis-a-vis costs to have the firm continue to break even

If the company's TFP exceeds the industry's, then without a downward price adjustment vis-a-vis the industry, then its revenues will outstrip its costs in the form of growth in earnings.

	Industry	Firm
Rev Growth	2%	2%
Cost Growth	1%	0%
Earnings Growth (TFP)	1%	2%

J. Phillips

**JF 2.01**

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**JF First Set of Data Requests**

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JF 2.01      Q.    Regarding the Lead/Lag study discussed in the Direct Testimony of Michael J. Adams, during the time between the date of service rendered by the Company and the date payment is received from customers and such funds are available to the Company, to what accounts do the monetary values of amounts due to the Company get recorded.

JF 2.01      A.    Monetary amounts are recorded to prime account 142, customer accounts receivable.

*Witness:*     James M. Gorenz

**JF 3.06**

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**JF Third Set of Data Requests**

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JF 3.06      Q.    Please provide copies of the following reports from Moody's Investment Survey:

1.   June 12, 2008 Credit Opinion for Northern Illinois Gas Company
2.   June 12, 2008 Credit Opinion for Nicor Inc.
3.   May 4, 2007 Liquidity Risk Assessment for Nicor Inc.

In addition, please provide any draft reports and copies of communications between the Companies (i.e., Nicor Inc. and Nicor Gas) and Moody's concerning the reports (or summaries if communications were oral).

JF 3.06      A.    1.   See attached Exhibit 1 for the June 12, 2008 Credit Opinion for Northern Illinois Gas Company

2.   See attached Exhibit 2 for the June 12, 2008 Credit Opinion for Nicor Inc.

3.   See attached Exhibit 3 for the May 4, 2007 Liquidity Risk Assessment for Nicor Inc.

See attached Exhibit 4 for draft reports and copies of communications between the Companies (i.e., Nicor Inc. and Nicor Gas) and Moody's concerning the reports.

*Witness:*     Douglas M. Ruschau



Moody's Investors Service

Global Credit Research  
Credit Opinion  
12 JUN 2008

JF 3.06  
Exhibit 1  
Page 1 of 5

**Credit Opinion: Northern Illinois Gas Company****Northern Illinois Gas Company****United States****Ratings**

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A2
First Mortgage Bonds	A1
Senior Secured Shelf	(P)A1
Commercial Paper	P-1
<b>Parent: Nicor Inc.</b>	
Outlook	Stable
Preferred Stock	Baa2
Commercial Paper	P-2

**Contacts**

Analyst	Phone
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William L. Hess/New York	212.553.3837

**Opinion****Corporate Profile**

Northern Illinois Gas Company (Nicor Gas, A2 issuer rating) is a regulated natural gas local distribution company (LDC) subsidiary of Nicor Inc. (Nicor, Prime-2 commercial paper rating). It is the largest LDC in Illinois, serving 2.2 million customers outside of Chicago. Nicor Gas owns and operates eight underground natural gas storage facilities with capacity of 150 billion cubic feet, the largest in Moody's LDC peer group. The utility also operates the Chicago Hub, which provides natural gas storage and transmission-related services to third parties.

Nicor Gas is the flagship subsidiary of Nicor Inc., contributing a little over 60% of its parent's operating income. The remainder is made up by retail and wholesale energy services and Tropical Shipping, a containerized shipping business. Please refer to Moody's Credit Opinion on Nicor Inc. for further discussion.

**Recent Events**

In April 2008, Nicor Gas filed for a base rate increase of \$140 million, about a 30% rise in residential rates. The filing includes proposals for rate mechanisms that adjust with changes in bad debt expense and cost of gas used in operations, a volume balancing rider (a decoupling mechanism), and a main replacement rider. An order is expected around March 2009. The company intends for the rate increase to offset rising operating and maintenance costs due to higher natural gas prices, benefit costs, and system reinvestment.

**Rating Rationale**

Nicor Gas's rating reflects its low business risk as a rate-regulated natural gas distributor. Nicor Gas's A2 issuer rating (vs. A3 median rating for the LDC peer group and indicated rating according to Moody's LDC rating methodology) is supported by its above-average business position as one of the largest LDCs in the U.S., strategic location at the crossroads of eight major interstate pipelines, and ownership of a large market-area underground gas storage system. Nicor Gas has competitive rates due to its excellent access to gas supply and profits from the

NRC 003373

Chicago Hub. The company is conservatively managed. However, Nicor Gas operates in a mature service territory, where top-line margins trends are flat and profitability is under pressure, and where the regulatory environment has been challenging for utilities generally.

#### Rating Drivers

Moody's rates Nicor Gas according to its rating LDC rating methodology. The key rating factors currently influencing Nicor Gas's rating and stable outlook are:

##### Factor 1: Sustainable Profitability

Nicor Gas's last rate increase in 2006 helped to arrest declining profitability in 2006, and return-on-equity (ROE) ratios have improved over the past three years. The three-year average (2005-1Q08LTM) ROE was 9.1% (mapping to an A in the Moody's methodology) on a reported basis, 4.6% (mapping to Ba) after Moody's standard adjustments.

The primary difference between the two ratios is Moody's adjustment of inventory recorded on a LIFO cost basis to FIFO value. Adjusting inventory to a FIFO basis results in a significant revaluation of the company's assets and equity (40% over the reported amount), which lowers its adjusted return and leverage ratios. Nicor Gas's LIFO revaluation reserve was \$416 million at year-end 2007, reflecting high gas prices and the old vintage of its LIFO layers.

Among Nicor Gas's LDC peers, the company is uniquely affected, given the size of its gas in storage and rising natural gas prices. Nicor Gas recovers the cost of gas through the Purchased Gas Adjustment (PGA) in its rates.

##### Factor 2: Regulatory Support

Nicor Gas maps to a Baa in this category, as its rate design exposes the company to a degree of gas price volatility and volume declines from weather and energy efficiency.

The Illinois Commerce Commission (ICC) issued a final order on Nicor Gas's last rate case in 3/06. Nicor Gas was granted a \$30 million net revenue increase, roughly a third of about \$80 million it had requested.

The rates expose Nicor Gas's earnings to the price of natural gas, because certain costs related to company-use gas (mostly related to the operation of its large storage facilities) that used to be passed through in the PGA were shifted into base rates. If gas prices exceed the \$7.50/mcf (vs. \$7.85 average gas cost per mcf sold between 2005 and 2007) assumed in its rates, those costs will be higher, reducing earnings.

**Bad Debt Expense.** The most significant of Nicor Gas's gas price-sensitive costs is bad debt expense. Bad debt expense has increased with gas prices and has driven up operating costs in recent years. About \$38 million of bad debt expense is incorporated in the current base rates. Actual bad debt expense was \$52 million in 2007. If gas prices are sustained above \$7.50/mcf assumed in the base rates, the company's bad debt expense may exceed the amounts allowed for in its rates, lowering its earnings. The ICC has rejected bad debt expense trackers in the past, and it remains to be seen whether the Commission will approve Nicor Gas's proposal for one in the next rate order.

**Weather Sensitivity.** Nicor Gas's operating income has been negatively impacted from weather that has been persistently warmer than normal. The current rates put about 50% of the revenues into fixed customer charges versus volumetric fees. The company's rate filing proposes increasing the fixed charge component to roughly 75%, which would reduce revenue sensitivity to volume declines related to weather.

The ICC has not granted weather normalization clauses for utilities in its jurisdiction. Nicor offsets a portion of the utility's weather-related margin loss through a fixed bill plan offered by Nicor Solutions, a non-utility affiliate. The plan levelizes a customer's gas bill over equal monthly payments, levelizing Nicor's receipts as well.

**Volume Erosion.** In its rate filing Nicor Gas proposed a volume balance account, a decoupling mechanism that provides for a monthly true-up to volumes implied in base rates. Decoupling mechanisms seek to address the industry-wide problem of margin erosion from declining throughput due to energy efficiencies and consumer conservation.

##### Factor 3: Ring-Fencing

NRC 003374

With an A under this factor, Nicor Gas is subject to regulation and company practices that help to protect the utility's credit quality. The company is subject to the rules of the ICC concerning the money pool agreements the company has with its non-utility affiliates. These rules allow the utility to commingle funds on an arms'-length basis with non-utility affiliates under a number of limitations. The utility is prohibited from making loans to the parent greater than the latter's available external credit capacity, with that rule's intent to prevent the utility from making loans to an over-leveraged affiliate. Nicor Gas is restricted from making loans to the money pool if it has any outstanding short-term borrowings, with the implication that the utility must use its excess liquidity to repay its own debt first before supporting an affiliate. Illinois state law also limits an utility's ability to pay dividends only to the extent of its retained earnings balance.

Nicor's non-utility affiliates have been self-funding, so that the parent has used cash upstreamed from Nicor Gas primarily to support its external shareholder dividends.

#### Factor 4: Financial Strength & Flexibility

The three-year average key financial metrics of Nicor Gas map to an A overall. EBIT (earnings before interest and taxes)/interest averaged 2.7 times for the three years ended March 2008. RCF (retained cash flow)/debt has climbed consistently over the past three years and averaged 17.5%.

Profitability is the key financial challenge for Nicor. It remains to be seen what, if any, rate relief the company will receive in its ongoing rate case. Without a rate increase, top-line margins (revenue minus pass-through gas costs and revenue taxes) are likely to remain flat due to the volume declines and nominal organic growth. The most significant variable is the price of natural gas, which affects storage related company-use gas costs that are included in operating and maintenance expense. Payroll and benefit costs continue to pressure profitability.

Nicor Gas has much more gas storage capacity than its peers, and this has implications on its leverage and liquidity. The storage injection-withdrawal cycle and the severity of the local winter weather lead to a more pronounced seasonal fluctuation in the cash flow and short-term debt of Nicor Gas compared to most of its peers.

Leverage is not a concern, with year-end debt/capital at about 50% on a reported basis, about 40% on a Moody's adjusted basis (mostly reflecting the LIFO adjustment). Moody's notes that Nicor Gas has a December fiscal year-end when seasonal borrowings are at their peak. Moody's notes that some LDCs have September year-ends, and peers are compared at a consistent timeframe. Nicor Gas's debt metrics are generally several percentage points better at end of September. The company typically has little or no short-term debt at the seasonal low in the June quarter. Short-term debt totaled \$369 million at December 31, 2007, but the 2007 quarterly average was \$153 million.

#### Off-Balance Sheet Risk

Nicor Gas has a fully funded pension plan. This implies that cash flow is not diverted to fund shortfalls and entails no adjustment for related debt according to Moody's standard adjustments.

Nicor Gas has long-standing contingent liabilities relating to alleged improprieties in the utility's performance-based rates (PBR) program that was terminated as of 2003. The most significant remaining contingency is the ICC's investigation into the matter, in which various parties have sought refunds to customers in a range from \$108 to \$190 million.

#### Liquidity Profile

Nicor Gas has adequate liquidity for its normal near-term needs. Our assessment of the company's liquidity as adequate is subject to its obtaining the supplemental \$400 million facility described below.

The company in 2007 generated about \$200 million in cash flow from operations. Capital expenditures in this decade have been close to maintenance levels of about \$160 million. The company was in a negative free cash flow position after \$70 million dividends. Nicor Gas's negative free cash flow will deepen in the coming twelve months due to an increase in capital expenditures (\$225 million budgeted in 2008, highest in recent memory) primarily to accelerate the replacement of cast iron and copper mains and investment in storage-related facilities.

Nicor Gas has full access to the \$600 million five-year credit facility that it shares with Nicor Inc. The facility expires in 2010 and backstops commercial paper programs at the utility as well as at the parent. The facility has a 70% debt/capital covenant, which both borrowers comfortably meet. Nicor Gas also has a 210-day committed \$400 million credit facility in place between October and May that it renews every year, for any additional needs it may

NRC 003375

have during the peak winter months.

Upcoming debt maturities should be manageable for the company, with \$75 million coming due on August 15, 2008 and \$50 million on February 1, 2009.

#### Rating Outlook

The stable outlook takes into account rising costs and the increased capital program at Nicor Gas over the next 12 to 18 months and any related weakening in the company's credit metrics, as long as it is temporary. Any rate changes from the ongoing rate case will not be fully reflected in Nicor Gas's financial performance until fiscal 2010. The stable outlook assumes a benign outcome in Nicor Gas's rate case and a credit-neutral resolution to the PBR proceedings.

#### What Could Change the Rating - Up

An upgrade is unlikely in the foreseeable future, based on Nicor Gas's current performance and rate filing. An upgrade would be considered if the utility sustains EBIT/Interest above the 5 times range and RCF/debt above 20%.

#### What Could Change the Rating - Down

The credit rating would be negatively impacted if Nicor Gas receives an unfavorable rate order and EBIT/Interest is sustained in the low 2 times range and RCF/debt in the low teens. An adverse outcome in the PBR case that impairs Nicor's credit quality may also prompt a downgrade.

#### Rating Factors

##### Northern Illinois Gas Company

Local Gas Distribution	Aaa	Aa	A	Baa	Ba	B	Caa
<b>Factor 1: Sustainable Profitability (20%)</b>							
a) Return on Equity (15%)					X		
b) Ebit / # of Residential & Commercial Customers (5%)					X		
<b>Factor 2: Regulatory Support (10%)</b>							
a) Regulatory Support and Relationship				X			
<b>Factor 3: Ring Fencing (10%)</b>							
a) Ring Fencing Quality			X				
<b>Factor 4: Financial Strength and Flexibility (60%)</b>							
a) EBIT / Interest (15%)				X			
b) RCF / Debt (15%)			X				
c) Debt / Book Capitalization (excluding goodwill) (15%)		X					
d) FCF / FFO (15%)		X					
<b>Rating:</b>							
a) Methodology Model Implied Senior Unsecured Rating			A3				
b) Actual Senior Unsecured Equivalent Rating			A2				

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NRC 003377

JF 4.04

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**JF Fourth Set of Data Requests**

---

JF 4.04      Q.    Please provide the monthly balances recorded to prime account 142, Customer Accounts Receivable for each month from 2004 through 2009. Provide the data in Excel format.

JF 4.04      A.    Please see attached Exhibit 1.

*Witness:*     James M. Gorenz



**JF 12.04**

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**JF Twelfth Set of Data Requests**

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JF 12.04     Q. Please provide the current interest rate on short-term debt for July, August, and September 2008.

JF 12.04     A. July - 2.3035%  
                 August - 2.127%  
                 September - 2.509%

*Witness:*     Douglas M. Ruschau

**JF 13.03**

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**JF Thirteenth Set of Data Requests**

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JF 13.03     Q.   Does Mr. Ruschau agree that cash working capital was not included in rate base in the Company's last three rate cases?

JF 13.03     A.   Yes.

*Witness:*     Douglas M. Ruschau

**DLH 13.02**

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**DLH Thirteenth Set of Data Requests**

---

DLH 13.02 Q.

Referring to the Company's Exhibit 11 of the Company's response to Staff data request DLH-7.08

- a) Provide the amount of "ICU Plan" included in Schedules B-1 and C-1, by line and column reference; and
- b) If the amount in a) is greater than zero, provide a copy of the ICU Plan and all supporting calculations, workpapers, and assumptions for each amount in a) above.

DLH 13.02 A.

- a) The 2009 ICU Plan expense amount of \$325,100 is included in Schedule C-1, line 16, columns D, F and H.
- b) Please see Exhibit 1 for a copy of the ICU plan and Exhibit 2 for workpapers and assumptions related to the ICU plan.

*Witness:* Rebecca C. Bacidore

**NI-GAS INCENTIVE COMPENSATION PLAN**  
**(As Amended and Restated Effective**  
**as of January 1, 1986)**

Mayer, Brown & Platt  
Chicago

NRC 002906

NORTHERN ILLINOIS GAS COMPANY

Certificate

I, Donald W. Lohrentz, Vice President, Secretary & Treasurer  
of NORTHERN ILLINOIS GAS COMPANY, having in my custody and  
possession the corporate records and seal of said Corporation, do  
hereby certify that attached hereto is a true and correct copy of  
NI-GAS INCENTIVE COMPENSATION PLAN, as currently in effect.

WITNESS my hand and the corporate seal of said Corporation  
this 1st day of January, 1986.

  
As Aforesaid

(Seal)

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NI-GAS INCENTIVE COMPENSATION PLAN  
(As Amended and Restated Effective  
as of January 1, 1986)

SECTION 1

General

1.1. History and Purpose. Effective as of April 26, 1968, Northern Illinois Gas Company (the "company") established the Incentive Compensation Plan (the "plan") to give its officers and managerial employees, and the officers and managerial employees of its subsidiaries (as defined below) that adopt the plan, an increased incentive to outstanding performance, to reward such performance, and to attract and retain highly qualified persons as officers and managerial employees. The following provisions constitute an amendment, restatement and continuation of the plan as in effect immediately prior to January 1, 1986, the "effective date" of the plan as set forth herein. On and after the effective date, the plan shall be known as NI-Gas Incentive Compensation Plan.

1.2. Employers, Subsidiaries, Affiliates. For purposes of the plan, the term "subsidiary" means any corporation, 50 percent of the voting stock of which is directly or indirectly owned by the company. The company, and any subsidiary which, with the consent of the company, adopt the plan are sometimes referred to below collectively as the "employers" and individually as an "employer". For purposes of the plan, the term "affiliate" means NICOR Inc. ("NICOR") and any other corporation, 50 percent of the voting stock of which is directly or indirectly owned by NICOR.

1.3. Plan Administration, Source of Benefit Payments. The authority to control and manage the operation and administration of the plan shall be vested in the Officer Compensation Committee of the Board of Directors of the company (the "committee") whose decisions on all matters regarding the plan shall be final. Notwithstanding any other provision of the Plan, the committee may condition payment of any benefit on the committee's receipt of such information as it determines to be necessary to ascertain eligibility for the payment. The committee, by unanimous action, may employ agents and delegate to them, in writing, such powers as the committee considers desirable. The amount of any benefit payable under the plan shall be paid from the general funds of the employer with respect to whose employee or former employee the benefit is payable. If a participant has been employed by more than one employer, the portion payable by each such employer shall be allocated in a reasonable manner, as determined by the committee in its sole discretion.

1.4. Applicable Law. The plan shall be construed and administered in accordance with the laws of the state of Illinois to the extent that they are not preempted by the laws of the United States of America.

1.5. Gender and Number. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural, and words in the plural shall include the singular.

## SECTION 2

### Participation

2.1. Participants. For any calendar year, an individual who is an officer or management employe of an employer shall be awarded such "share units," if any, as is recommended by the Officer Compensation Committee of the Board of Directors of that employer, and approved by the Board of Directors (excluding directors who are plan participants) of that employer. An individual shall be considered a participant in the plan upon his award of share units.

2.2. Limit on Awards. Notwithstanding the provisions of subsection 2.1, share units shall not be awarded for any calendar year:

- (a) to the extent that the dividend equivalents (as defined in Section 3) payable for that year, with respect to all share units awarded for that year, would exceed 1/2 percent of consolidated retained earnings (as defined in subsection 4.1) for that year;
- (b) to the extent that the sum of:
  - (i) the dividend equivalents payable for that year with respect to all share units awarded for that year, and all other share units outstanding at the end of that year; and
  - (ii) the amount distributed from participants' deferred compensation accounts (as described in subsection 4.1) for the prior calendar year;

would exceed 2-1/2 percent of the consolidated retained earnings for the year for which the award was made; and

- (c) to the extent that the dividend equivalents payable for that year with respect to all share units held by any

participant (including outstanding share units awarded prior to that year) would exceed 25 percent of his annual salary for that year from the employers and subsidiaries.

2.3. Cancellation of Share Units. All of a participant's share units shall be cancelled, and shall no longer be considered to be outstanding, on the earlier to occur of:

- (a) the date on which the participant engages in any business or activity which is competitive with or has an adverse effect on the business of an employer or affiliate; or
- (b) the later to occur of the death of the participant or the death of the participant's spouse.

For purposes of the plan, a participant's spouse is the individual to whom he has been lawfully married for at least one year upon the earlier to occur of the participant's retirement or the participant's death, provided that, for purposes of the plan, an individual shall be considered a participant's spouse only if she was a member of the participant's household on the date of the participant's death.

### SECTION 3

#### Dividend Equivalents

At the time NICOR declares a dividend with respect to its common stock, there shall be paid, with respect to each share unit outstanding on the record date for the dividend, a "dividend equivalent" equal to the amount of such dividend payable with respect to a share of common stock of NICOR. Such dividend equivalents shall be paid as soon as practicable after the applicable dividend has been declared. While a participant is alive, dividend equivalents as to share units awarded to him shall be payable to him and, after his death, shall be payable to his spouse; provided, however, that no dividend equivalents shall be paid to a spouse if she is married on the record date for that dividend. Notwithstanding the foregoing provisions of this Section 3, no dividend equivalents shall be payable with respect to a participant after the participant has incurred a termination date described in paragraph 4.6(c) or (d).

SECTION 4

Deferred Compensation

4.1. Deferred Compensation Account. Subject to the provisions of the plan, the committee (or its delegate) shall maintain a deferred compensation account for the benefit of each participant under the plan. With respect to each participant's deferred compensation account, the committee (or its delegate) shall:

- (a) as of the last day of each calendar year, credit to the participant's deferred compensation account an amount equal to the net increase, if any, in the consolidated retained earnings per share for that year, multiplied by the number of share units held by the participant as of the last day of that year, after all awards for that year have been made;
- (b) as of the last day of each calendar year, charge to the participant's deferred compensation account an amount equal to the net decrease, if any, in the consolidated retained earnings per share for that year, multiplied by the number of share units held by the participant as of the last day of that year, after all awards for that year have been made;
- (c) as of the last day of each calendar year, and immediately prior to any distribution to the participant in accordance with subsection 4.4, credit or charge, as the case may be, to the participant's deferred compensation account, the earnings or losses for the year deemed to be attributable to the investment of the participant's deferred compensation account for that year (as described in subsection 4.2); and
- (d) immediately following any distribution to the participant in accordance with subsection 4.4, charge to the participant's deferred compensation account the amount distributed for that year in accordance with that subsection.

No adjustment shall be made to a participant's deferred compensation account for any calendar year in accordance with paragraphs (a) and (b) next above if either: (i) during the year, the participant engages in any business which is competitive with or has an adverse effect on the business of an employer or affiliate; or (ii) the participant is not continuously employed by an employer for the entire year. For purposes of the plan, the net increase or decrease in the consolidated retained

earnings per share for any calendar year shall equal the increase or decrease, respectively, in the consolidated retained earnings per share for that year compared with the consolidated retained earnings per share for the prior calendar year. For purposes of the plan, the consolidated retained earnings per share for any calendar year shall equal the consolidated retained earnings per share of NICOR common stock stated in NICOR's annual report to stockholders for that year. The committee, in its sole discretion, may modify the adjustments described in paragraphs (a) and (b) next above, with respect to any participant, to reflect the relationship of events or transactions to the efforts and performance of the participant.

4.2. Investment of Deferred Compensation Account. A participant (or, in the event of his death, his beneficiary) on whose behalf a deferred compensation account is maintained shall have the right, at such time and in such manner as the committee decides, to elect the phantom investment of the balance of such account. The phantom investments available for selection by the participant may be limited by the committee. The earnings and losses deemed to be attributable to investment of a participant's deferred compensation account for any year shall be the earnings and losses that would have been yielded if the participant's deferred compensation account had been invested in the phantom investments selected by the participant for the year, and if all expenses that would be incurred in connection with such investment had been charged to that account. Nothing in the plan shall require any employer to segregate or invest any assets to reflect the investment election of a participant's deferred compensation account.

4.3. Eligibility for Deferred Compensation Benefits. Eligibility for deferred compensation benefits shall be subject to the following:

- (a) If a participant's termination date occurs under paragraph 4.6(a) or (b), his entire deferred compensation account shall be payable to him or, in the event of his death, to his beneficiary (as defined in subsection 4.7), in accordance with subsections 4.4 and 4.5.
- (b) If a participant's termination date occurs under paragraph 4.6(c), the portion of the participant's deferred compensation account, if any, attributable to share units credited for the sixth calendar year prior to the calendar year in which the participant's termination date occurs, and attributable to share units credited for calendar years prior to such sixth year, shall be payable to him or, in the event of his death, to his beneficiary, in accordance with

subsections 4.4 and 4.5, and the remaining portion of his deferred compensation account shall be forfeited.

- (c) If a participant's termination date occurs under paragraph 4.6(d), the participant's deferred compensation account shall be forfeited.
- (d) No unpaid deferred compensation benefits shall be payable to or on account of a participant after the date, if any, on which the participant engages in any business or activity which is competitive with or has an adverse effect on the business of an employer or affiliate, regardless of whether the benefits were otherwise payable before or after such date.

4.4. Time of Payment of Deferred Compensation Benefits. Participant's deferred compensation account shall be paid at such time as the committee, in its sole discretion, after consulting with the recipient, shall decide, subject to the following:

- (a) If a participant's termination date occurs under paragraph 4.6(a), payment shall commence not later than the earlier of the tenth anniversary of his termination date or the date on which he attains age 70-1/2 years; provided that if the participant dies after he retires but before payment of his deferred compensation account has commenced, payment shall commence no later than twelve months after the date of the participant's death.
- (b) If a participant's termination date occurs under paragraph 4.6(b), payment of his deferred compensation account shall commence no later than twelve months after the date of his death.
- (c) If a participant's termination date occurs under paragraph 4.6(c), payment shall commence no later than twelve months after the date the participant attains age 65 years or, if earlier, the date the participant dies.

4.5. Form of Payment. A participant's deferred compensation account shall be paid in one of the following forms, as selected by the committee in its sole discretion, after consulting with the participant:

- (a) payment in a lump sum;
- (b) payment in ten or fewer annual installments, where the amount of each installment shall be determined by

dividing the balance in the participant's deferred compensation account by the number of years remaining in the installment period; or

- (c) distribution of an annuity purchased from an insurance carrier with the participant's deferred compensation account balance.

4.6. Termination Date. A participant's "termination date" is the date on which his employment with the employers and affiliates is terminated because of the first to occur of the following:

- (a) Retirement. The participant's retirement, including disability retirement.
- (b) Death. The participant's death.
- (c) Resignation or Dismissal. The participant resigns, or is dismissed for reasons other than cause, from the employ of the employers and affiliates before retirement in accordance with paragraph (a) next above.
- (d) Dismissal for Cause. The participant is dismissed for cause from the employ of the employers and affiliates. Determination of whether a participant's dismissal has been for cause shall be made by the committee in its sole discretion.

4.7. Designation of Beneficiary. Each participant, from time to time, by signing a form furnished by the committee, may designate any legal or natural person or persons (who may be designated contingently or successively) to whom his deferred compensation benefits are to be paid if he dies before he receives all of his benefits. A beneficiary designation form will be effective only when the signed form is filed with the committee while the participant is alive and will cancel all beneficiary designation forms signed earlier. If a deceased participant failed to designate a beneficiary as provided above, or if the designated beneficiary of a deceased participant dies before him or before complete payment of the participant's deferred compensation benefits, the committee, in its discretion, may direct the applicable employer to pay the participant's deferred compensation benefits to either:

- (a) one or more of his relatives by blood, adoption or marriage and in such proportions as the committee decides; or

- (b) the legal representative or representatives of the estate of the last to die of the participant and his designated beneficiary.

## SECTION 5

### Miscellaneous

5.1. Changes in Capitalization. In the event of any stock dividend, stock split, combination of shares, reclassification or other similar changes in capitalization of NICOR common stock, or any distribution, other than cash dividends, to holders of NICOR's common stock, the committee shall make such adjustments, in light of the charge or distribution, as it deems equitable to the employers and the participants, in the number of share units outstanding and in the deferred compensation accounts.

5.2. Nonassignability. Plan benefits may not be assigned or transferred to any person, nor may plan benefits be subject to the debts or obligations of any person entitled thereto.

5.3. Effect on Other Plans. Plan benefits are not taken into account in determining, and will not affect, the amount of any benefit under any pension or retirement plan or any welfare plan, including a group life insurance plan of any employer or affiliate.

5.4. Effect of Participation. The plan does not constitute a contract of employment, and participation in the plan will not give any participant the right to be retained in the employ of any employer, nor any right or claim to any benefit under the terms of the plan unless such right or claim has specifically accrued under the terms of the plan. The award of a share unit does not constitute the award of stock, and does not confer any voting right on a participant.

## SECTION 6

### Amendment and Termination

The Board of Directors of the company shall have the right at any time and from time to time to discontinue and reinstate the plan in whole or in part or amend the plan so long as the effect of such amendment is not to increase materially the cost of the plan to the company.

Northern Illinois Gas Company d/b/a Nicor Gas Company  
Response to: Illinois Commerce Commission  
III. C.C. Docket No. 08-0363  
DLH Thirteenth Set of Data Requests

DLH 13.02  
Exhibit 2  
Page 1 of 1

**ICU Interest Credited**

<b><u>2009</u></b>	Prior Qtr. <b><u>Ending Bal.</u></b>	<b><u>Awards*</u></b>	Qtr. Interest @ <b><u>0.0107</u></b>	<b><u>Withdrawals</u></b>	<b><u>Ending Bal.</u></b>
1st Qtr. 2009	\$ 315,838	0	\$ 3,379.46		\$ 319,217
2nd Qtr. 2009	\$ 319,217	0	\$ 3,415.63		\$ 322,633
3rd Qtr. 2009	\$ 322,633	0	\$ 3,452.17		\$ 326,085
4th Qtr. 2009	\$ 326,085	0	\$ 3,489.11	\$ 91,433	\$ 238,142
			<u>\$ 13,736.37</u>		

**Incentive Compensation Dividend Equivalents**

<b><u>Date</u></b>	<b><u>Units</u></b>	<b><u>Per Unit</u></b>	<b><u>2009</u></b>
Feb-09	167,400	0.465	\$77,841.00
May-09	167,400	0.465	\$77,841.00
Aug-09	167,400	0.465	\$77,841.00
Nov-09	167,400	0.465	\$77,841.00
			<u>\$ 311,364.00</u>

Total Expense for 2009      **\$ 325,100.37**

\* There are no active employees receiving awards from this plan

NRC 002917

**DLH 33.01**

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**ILC.C. Docket No. 08-0363**  
**DLH Thirty-Third Set of Data Requests**

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DLH 33.01 Q. Referring to Nicor Gas Ex. 41.1, please explain why this document was not provided in response to Staff data request DLH-13.02 b).

DLH 33.01 A. The documents provided in Staff data request DLH-13.02 b) were the actual plan document as requested and the related workpapers and calculations that are utilized to determine the remaining financial obligation of the Company for this plan. These amounts were derived by following the requirements specified within the plan document. As such, the Company provided all that was requested in Staff data request DLH-13.02 b) in the response it furnished.

Nicor Gas Ex. 41.1 was not called for by Staff data request DLH-13.03 b). It is neither the actual plan document nor a workpaper used to calculate the Company's remaining financial obligation under the ICU Plan.

*Witness:* Rebecca C. Bacidore

**DLH 33.02**

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**DLH Thirty-Third Set of Data Requests**

---

DLH 33.02 Q. Referring to Nicor Gas Ex. 41.1, please explain how this document relates or in not related to the document provided in response to Staff data request DLH-13.02 b).

DLH 33.02 A. The document provided in response to Staff data request DLH-13.02 b) is the actual effective plan document for the ICU Plan.

The document submitted as Nicor Gas Ex. 41.1 is not the plan document but rather is an administrative guide that was used by the Company to determine, among other things, factors to consider in making decisions to grant awards under the ICU Plan. The ICU Plan document itself does not provide specific guidance about how awards were to be granted..

In ICC Staff Ex. 15.0, staff witness Hathhorn asserts that ICU Plan awards were based on the achievement of financial goals. The Company has offered the administrative guidelines submitted as Nicor Gas Ex. 41.1 to rebut this assertion.

*Witness:* Rebecca C. Bacidore

# MEM 9.01

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**MEM Ninth Set of Data Requests**

---

MEM 9.01 Q. Does Nicor agree to limit its request to \$5.9 million in gross plant additions for the Northern Region Reporting Center ("NRRC") project in this docket?

MEM 9.01 A. Subject to Staff agreeing to include the NRRC project in the 2009 test year rate base, the Company would agree to limit its request related to the NRRC project to \$5.9 million in gross plant additions in this docket. Nicor Gas reserves the right to request a different adjustment to gross plant additions related to the NRRC project in a future docket.

*Witness:* Rocco J. D'Alessandro

# CB 4.02 Supplement

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**CB Fourth Set of Data Requests**

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- CB 4.02     Q.    Referring to Company witness Mudra's response to Staff Data Request 2.07 in reference to Rider 8, **Adjustments for Municipal, Local Governmental Unit and State Utility Taxes**, please provide information or documentation that explains how the Company will know what the statute of limitations is for each local governing authority.
- CB 4.02     A.    The Company will know the applicable statute of limitations for a municipality because it either will be stated in the municipality's ordinances or, if it is not, the default statute of limitations set forth in Section 30 of the Local Government Taxpayers' Bill of Rights Act, 50 ILCS 45/30, will apply. See also response to CB 4.01.

**SUPPLEMENTAL RESPONSE:**

- A. The Company receives a copy of a municipal utility tax ordinance directly from the municipality at the time it adopts the tax ordinance. In the typical case, the Company actually begins working with the staff of the municipality prior to adoption of a new ordinance. The Company reviews the proposed ordinance with municipal staff to address any concerns that the Company may have about its implementation and enforceability. Once an ordinance is adopted, the Company obtains a certified copy of the ordinance from the municipality as backup for the required Rider 8 filing to permit the Company to begin to collect the new tax.

If, for any reason, the Company later wants to confirm that its copy of a municipal utility tax ordinance is current, it will obtain a current copy directly from the municipality. Some municipalities maintain their ordinances on a public website. In those instances, the Company can access the ordinance on-line. In the case of other municipalities, the Company would contact the municipal office at which ordinances are maintained in order to obtain a copy.

*Witness:*     Robert Mudra

# CB 4.03 Supplement

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**CB Fourth Set of Data Requests**

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- CB 4.03      Q.    Referring to Company witness Mudra's response to Staff Data Request 2.07 in reference to Rider 8, **Adjustments for Municipal, Local Governmental Unit and State Utility Taxes**, please provide information or documentation that explains whether the Company has appropriate historical billing information for the customers.
- CB 4.03      A.    The Company has the appropriate historical billing information.

**SUPPLEMENTAL RESPONSE:**

- A.    Please see Exhibits 1 and 2. These two exhibits provide an illustrative example of historical billing information that the Company maintains for a residential customer. These particular exhibits provide the historical billing information for an actual customer who resides in unincorporated Naperville. In order to protect the privacy of this customer, the customer's name, home address and account number have been redacted.

In 2006, the Company placed a new billing system into service. Exhibit 1 shows a bill transcript report with the account history for the customer that is maintained in the new billing system. As can be seen from Exhibit 1, the account history for this customer that is maintained under the new billing system covers the bill issued on December 16, 2005 and each bill issued since then. The column headings on Exhibit 1 show that summary information that is provided.

Exhibit 2 shows a bill transcript report for this same customer for billing periods covered by our legacy billing system that was in place before the new billing system went into service. Historical summary information for this customer from our legacy system is shown for the billing issued on May 12, 2000 and for each bill issued after that until the Company's new billing system was placed in service. Again, the column headings on Exhibit 2 show the summary information that is provided. Note that there is an overlap of several months of information that is shown on both Exhibits 1 and 2. That is because the

new billing system also includes historical summary billing information for a few months preceding the date the system was actually placed in service.

*Witness:* Robert Mudra

# CB 4.04 Supplement

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**CB Fourth Set of Data Requests**

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CB 4.04 Q. If the response to CB 4.03 is in the affirmative, please provide: an explanation, of how the tax resulting from an audit adjustment would be calculated. Provide an illustrative example including as exhibits the historical billing documents relied upon and copies of work papers.

CB 4.04 A. Nicor Gas has not yet been required to make any past adjustments for taxes as a result of an audit. In the past, municipalities, most likely for the benefit of the customers and with encouragement of the Company, have chosen to make corrections going forward when errors are discovered through an audit and not to demand payment for back taxes. However, this past practice is changing. Some municipalities are now demanding payment for back taxes and have initiated litigation or issued assessments against Nicor Gas. Rider 8 provides the regulatory mechanism for Nicor Gas to pass through the expense it incurs for a specific municipal tax obligation directly to the individual customers receiving the utility service that has been taxed. The proposed changes to Rider 8 are merely intended to clarify that the pass through rate recovery mechanism remains available in those somewhat limited situations in which the determination that a tax is owed is discovered as a result of a municipal audit.

The most accurate method to adjust for taxes is to cancel the billing, make the necessary correction (properly identify the customer's taxing town), and then rebill the customer. This would appropriately reverse any taxes to the incorrect municipality (if applicable) and then rebill the same utility charges with the appropriate taxes applied. The billing documents relied upon are the historical billing information, including the bills, for the past four years.

**SUPPLEMENTAL RESPONSE:**

- A. Please refer initially to Exhibits 1 and 2 to the supplemental response to Staff data request CB 4.03. Assume for the purpose of illustration that the Company learns today through a tax audit that the home of this particular customer had been annexed into the City of Naperville three years ago. Since the Company's records have shown this home is in unincorporated Naperville, no municipal utility taxes would have been billed to this customer up to this point in time. Once it was established that this home

was within the municipal boundaries of Naperville, the Company would immediately begin to assess the tax to this customer on a prospective basis. The proposed change to Rider 8 would also clarify that the Company could bill for back taxes if the City of Naperville demanded payment of these back taxes.

The Company's bill transcript reports referenced above show the same customer of record at this address throughout this three year period since the annexation. Therefore, if the City of Naperville required payment of municipal taxes for service to this property for the period of time since annexation, the billing adjustment for the unpaid municipal taxes for the three year period would be billed to this customer's account.

To calculate the taxes due from this customer for the prior three year period, the Company needs the following information for each billing period during those three years: (i) the amount billed to the customer, (ii) the portion of the amount billed to the customer that is subject to tax and (iii) the applicable tax rate. The tax rate for the City of Naperville throughout the three year period has been 5.15% (see Rider 8 information sheet for applicable tax rates by municipality). The amount billed to the customer for each billing period is shown on the bill transcript reports that have been provided as Exhibits 1 and 2 to the Supplemental Response to Staff data request CB 4.03. What isn't provided in those exhibits is the taxable portion of the amount billed. To determine the taxable portion of the amount billed in most cases simply means that the Company must deduct any other taxes from the total amount billed because the amounts charged for those other taxes are not subject to the municipal tax.

Since the Company placed its new billing system into service, it retains copies of actual customer bills in addition to the bill transcript report. Attached as Exhibit 1 to this supplemental response are copies of each of the bills for this customer (with personal information redacted) since the Company's new billing system was placed in service. So, for instance, the additional tax that would be due from this customer for the bill issued on November 12, 2008 would be equal to 5.15% times \$62.61 or \$3.22. The amount of \$62.61 is derived by subtracting the taxes of \$1.52 from the total bill amount of \$64.13.

For billing periods before the Company placed its new billing system into service, the Company performs a monthly bill re-computation based on the billing information retained on the bill transcript report and the applicable charges and taxes in effect at the time of each bill. Attached as Exhibit 2 to this supplemental response are copies of the bill

recomputations for this customer for each applicable month prior to the in service date of the Company's new billing system. So, for instance, the additional tax due from the customer for the bill issued March 16, 2006 would be 5.15% times \$117.71 or \$ 6.06. The amount of \$117.71 is shown on the "total" line on the first page of Exhibit 2. This amount plus the \$3.09 of state tax and utility fund tax shown on Exhibit 2 equal the amount of \$120.80 that is shown as having been billed initially for that billing period on Exhibit 2 to the supplemental response to Staff data request CB 4.03.

Exhibit 3 to this Supplemental Response shows the calculation of the additional municipal tax that would be charged to this customer under the circumstances described in this illustration.

*Witness:* Robert R. Mudra

# CB 4.08 Supplement

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**III.C.C. Docket No. 08-0363**  
**CB Fourth Set of Data Requests**

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- CB 4.08      Q.    Referring to Company witness Mudra's response to Staff Data Request 2.07 in reference to Rider 8, **Adjustments for Municipal, Local Governmental Unit and State Utility Taxes**, please provide information or documentation that explains whether the Company would collect the full amount of back taxes in a lump sum or over a period of time. Identify any relevant tariff language
- CB 4.08      A.    The Company would generally collect the full amount of taxes in a lump sum. The adjustment involved for an individual residential customer would typically be relatively modest; however, the customer could make payment arrangements with Nicor Gas. It should be noted that canceling and then rebilling the customer with the correct taxes could result in either a credit or a debit. The corrected bill would reflect the total amount due.

**SUPPLEMENTAL RESPONSE:**

- A.    For a calculation of the amount of municipal utility taxes that a typical residential customer might pay over a three year period see Exhibit 3 to Supplemental Response to Staff data request CB 4.04.

*Witness:*     Robert Mudra

**AG (DJE) 8.07**

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Attorney General**  
**Ill.C.C. Docket No. 08-0363**  
**AG Eighth Set of Data Requests**

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AG (DJE) 8.07 Q. Please update the response to AG 2.04. The response should also indicate the amount of actual expenditures related to plant additions, the amount of actual expenditures related to cost of removal, the amount of budgeted expenditures related to plant additions, and the amount of budgeted expenditures related to cost of removal

AG (DJE) 8.07 A. As stated in response to AG 2.05, the Company prepares an annual capital expenditure budget, which includes investment cost, removal cost, and salvage. The Company does not distinguish between investment expenditures and cost of removal on a monthly basis for budgeting purposes. However, the Company has prepared an estimated allocation between investment cost, removal cost, and salvage for the September year to date total budget. This estimate is based on the proportion of these items in the annual budget.

Preliminary September 30, 2008 year to date capital expenditures are reported below, in thousands:

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Investment Cost	\$154,132.4	\$158,705.5	\$(4,573.1)
Removal Cost	\$ 15,406.6	\$ 15,134.9	\$ 271.7
Salvage	<u>\$( 4,607.5)</u>	<u>\$( 2,662.8)</u>	<u>\$(1,944.7)</u>
Total Expenditures	\$164,931.5	\$171,177.6	\$(6,246.1)

**SUPPLEMENTAL RESPONSE:**

A. Preliminary October 31, 2008 year to date capital expenditures are reported below, in thousands:

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Investment Cost	\$180,874.4	\$177,700.2	\$ 3,174.2
Removal Cost	\$ 18,380.8	\$ 16,946.3	\$ 1,434.5
Salvage	<u>\$( 4,955.1)</u>	<u>\$( 2,981.5)</u>	<u>\$(1,973.6)</u>
Total Expenditures	\$194,300.1	\$191,665.0	\$ 2,635.1

*Witness:* James M. Gorenz

# DAS 2.06 with Exhibits

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**DAS Second Set of Data Requests**

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- DAS 2.06    Q.    With regard to the SBS charge that Nicor calculated to be \$.0051 per therm,
- a.    was the proposed SBS charge calculated in the same manner as the \$.0038 per therm SBS charge that Nicor proposed in the previous rate case?
  - b.    please provide how the current SBS charge of \$.0021 per therm was determined.
  - c.    what would the new SBS charge be if the Nicor used the methodology that was used to calculate the current SBS charge as ordered by the Commission?
  - d.    what explanation does Nicor have for a 41% increase in the SBS charge?

DAS 2.06    A.    SUPPLEMENTAL REVISED RESPONSE

- a.    Yes.
- b.    Please see the attached Exhibit 1. Please note that the current SBS charge is \$.0029 per therm of storage capacity.
- c.    The methodology to compute the SBS charge, as ordered in 04-0779 and as used in the Company's direct case in this proceeding, is the storage revenue requirement, excluding top gas, divided by the storage capacity allocation. In Docket 04-0779, the Commission ordered the Company to allocate 149.74 Bcf of storage capacity. As shown on Exhibit 2, if the Commission were to allocate 149.74 Bcf of storage capacity at the 2009 test-year revenue requirement then the SBS charge would be \$.0046 per therm.

- d. The charge for SBS is determined by the storage revenue requirement, excluding top gas, as found in the embedded cost of service study (see Nicor Gas Exhibit 15.1 Schedule E) and the volume of allocated storage capacity. The revenue requirement, excluding top gas, has increased from \$52.5 million (Docket 04-0779) to \$83.2 million. The storage capacity allocation has been reduced from 149.74 Bcf (Docket 04-0779) to 134.63 Bcf (Nicor Gas Ex. 4.1). Consequently, the cost per therm of allocated SBS storage capacity has increased.

*Witness:* Robert R. Mudra

**Docket 04-0779 - Final Determination of Storage Banking Service Charge**

<u>Line</u>		
1	Storage Revenue Requirements (\$000) 1/	\$ 52,502
2	Storage Banking Service Allocation (000 therms) 2/	1,497,400
3	Annual Revenue Requirement per Therm (Line 1 / Line 2)	\$ 0.0351
4	Monthly Charge per Therm of Storage (Line 3 / 12)	\$ 0.0029

1/ Final Embedded Cost of Service Study, Schedule E, page 1 of 3 (Docket No. 04-0779).

2/ Order in Docket No. 04-0779, pages 120 and 138.

**DAS 2.06 SBS Calculation - Using 04-0779 SBS Allocation**

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<u>Line</u>		
1	Storage Revenue Requirements (\$000) 1/	\$ 83,186
2	Storage Banking Service Allocation (000 therms) 2/	1,497,400
3	Annual Revenue Requirement per Therm (Line 1 / Line 2)	\$ 0.0556
4	Monthly Charge per Therm of Storage (Line 3 / 12)	\$ 0.0046

1/ Embedded Cost of Service Study, Schedule E, page 1 of 3 (Docket 08-0363)

2/ Order in Docket No. 04-0779, pages 120 and 138.

# DAS 4.03 with Exhibits

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**DAS Fourth Set of Data Requests**

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- DAS 4.03      With regard to Nicor witness Mudra's testimony and calculations in Co. Ex. 14.0, please provide the actual derivations of the following in an Excel spreadsheet with formulas intact:
- a.    Storage Banking Service
  - b.    Individual and Group Administration Charges
  - c.    Recording Device Charges
  - d.    Group Change Fees
  - e.    Transportation Service Credit ("TSC")
  - f.    Storage Withdrawal Factor ("SWF")
  - g.    Gas Supply Cost/Demand Gas Cost

- DAS 4.03 A. a.    Please see the attached Exhibit 1.
- b.    Please see Nicor Gas' response to data request CNE 2.07.
  - c.    Please see the attached Exhibit 2.
  - d.    Please see Nicor Gas' response to data request CNE 2.03.
  - e.    Please see the attached Exhibit 3.
  - f.    Please see Nicor Gas' response to data request CNE 2.01.
  - g.    Please see the attached Exhibit 4 - Line 8.

*Witness:*    Robert R. Mudra

**Determination of Storage Banking Service Charge**

Storage Revenue Requirements (\$000) 1/	\$ 83,186
Storage Banking Service Allocation (000 therms)	1,346,333
Annual Revenue Requirement per Therm	\$ 0.0618
Monthly Charge per Therm of Storage	\$ 0.0051

1/ Embedded Cost of Service Study, Nicor Gas Exhibit 15.01, Schedule E, page 1, line 17.

### Determination of Recording Device Charges

	Diaphragm	Non-Diaphragm	
Customers	1,990	7,324	9,314
Percent of Total	21%	79%	100%

### Monthly Meter Charge Calculation

#### Diaphragm Meters

Investment	$\$160 \text{ (Device)} * 0.1290 \text{ (Carrying Cost)} / 12 \text{ months} =$	\$ 1.72
Expense	$\$980,683 * 21\% / (1990 \text{ customers} * 12 \text{ months}) =$	\$ 7.70
total		<u>\$ 9.42</u>

#### Rotary/Instrument Meters

Investment	$\$600 \text{ (Device)} * 0.1290 \text{ (Carrying Cost)} / 12 \text{ months} =$	\$ 6.45
Expense	$\$980,683 * 79\% / (7324 \text{ customers} * 12 \text{ months}) =$	\$ 7.70
total		<u>\$ 14.15</u>

**Expenses Related to Recording Device Charges**

Line	Department	Individual/Activity	Cost per Year	Overhead/Payroll Additive	Total Cost per Year
1	Meter Shop				
2		Management	\$ 151,305	80%	\$ 272,349
3		Clerical	\$ 56,925	80%	\$ 102,465
4		Contractor	\$ 365,000		\$ 365,000
5		- Direct Reimbursement	\$ (120,000)		\$ (120,000)
6		Bargaining Unit	\$ 1,546		\$ 1,546
7		Material	\$ 100,000	12%	\$ 112,000
8					
9	Customer Care				
10		800 Number	\$ 30,003		\$ 30,003
11		Metscan	\$ 18,906		\$ 18,906
12		MV90	\$ 16,934		\$ 16,934
13		Computer Software Support	\$ 34,155	80%	\$ 61,479
					<u>\$ 860,683</u>

### Telephone Expenses Related to Recording Device Charges

[illegible]

**Determination of Uncollectible Credit for Customer Select and Rider 25 Customers**

Total Uncollectible Account costs as proposed (\$000)	\$	68,311
Commodity Related Uncollectible Gas Costs (\$68,311 x .69) (\$000)	\$	47,135
Late Pay Charges (\$000)	\$	22,932
Commodity Related Late Pay Charges (\$22,932 x 0.69) (\$000)	\$	15,823
Commodity Uncollectible Costs less Commodity Late Pay Charges (\$000)	\$	31,312
Therms for Rates 1, 4, 5, 74 and 75 (000 therms)		2,457,726
Uncollectible Credit per Therm (\$30,222 / 2,457,726)	\$	0.0127

**Determination of 2% Storage Withdraw Factor Credit for Customer Select and Rider 25 Customers**

Rates 1 and 4

Total 2% Storage Withdraw Costs (\$000)	\$	15,230
Sales Therms for Rates 1, 4, 5, 74, and 75 (000 therms)		2,457,726
2% Storage Withdraw Factor Credit for Rates 1 and 4/5	\$	0.0062
Transportation Service Credit	\$	0.0189

Determination of the Number of Peak Days of Storage Allocated

Line	Description	2009 (000's Therms)
1	2009 Peak Day Sendout	49,000
2	2009 Allocated Storage Capacity	1,346,333
3	Peak Days of Storage Capacity (Line 2 / Line 1) (unrounded)	27.5 Days
4	Allocated Capacity - Based on Allocated Days of Storage (Line 1 X 28 Days)	1,372,000
5	Peak Day Storage Deliverability	25,000
6	Storage Deliverability to Capacity Ratio (Line 5 / Line 4)	1.80%
7	Amount available from storage on a peak day (28 days X .018)	50%
8	Amount required from pipeline on a peak day ( 1 - Line 7)	50%

**DAS 7.16**

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**DAS Seventh Set of Data Requests**

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- DAS 7.16 Q. With regard to Nicor Gas Ex. 29.0, p. 36, line 784, Mr. Mudra claims that Nicor Gas has only 134.6 Bcf of top gas storage capacity "operationally available."
- a. Define the term "operationally available" as used by the witness.
  - b. Has Nicor Gas ever used this term or calculated amount in any rate proceeding before this Commission? If yes, please provide the precise citation to this usage. If not please explain why Nicor Gas did not argue for this amount in the previous rate case.
  - c. In the previous rate case, did the Commission decide to use the "operationally available" amount or the non-coincident working gas capacity?
  - d. Is the 149.7 Bcf amount in question, not "operationally available"?
  - e. Is the 149.7 Bcf amount in question, still the Non-coincident working gas capacity as Nicor Gas testified in the previous rate case?
- DAS 7.16 A.
- a. The 134.6 Bcf of "operationally available" storage capacity represents the non-coincidental inventory level to which Nicor Gas' can fill its storage fields over an annual cycle while being able to achieve close to full cycling to protect field performance and meet peak withdrawal targets. The 134.6 Bcf is discussed by Mr. Bartlett (Nicor Gas Ex. 19:12-13, Nicor Gas Ex. 4:6-7 and Nicor Gas Ex. 4.1) and data responses to Staff (DAS 3.06, DAS 6.07 and DAS 6.09) and Intervenors (CNE 2.09 and DRI 1.09)
  - b. Yes, in Docket 04-0779, Mr. Bartlett explained that it has "practical operational requirements which limit its ability to cycle" (Docket 04-0779 Exhibit 24:336-338) and that "One must look to what is realistically achievable given the many variables encountered throughout both the withdrawal and injection seasons. Nicor Gas' many years of actual operating experience with its storage fields provides the best indication of what is achievable with regard to an ongoing cycling level." This is consistent with the concept of an "operationally available" amount of storage capacity. Furthermore, Mr. Bartlett noted that "the more [capacity] that is allocated to transportation customers, the less is available for sales customers. That is a fact. A method of allocation that uses as a basis of allocation an unachievable level of cyclable

capacity would be totally inappropriate and should be avoided.”  
(Docket 04-0779 Exhibit 39:280-284)

- c. The Commission order specified that the total non-coincident storage capability of 149.7 Bcf should be used. Order at 121. In this proceeding, Nicor Gas supports use of the total 134.6 Bcf of non-coincident storage capacity but does not support use of an operationally unachievable maximum amount of non-coincident storage capacity of 149.7 Bcf.
- d. The 149.7 Bcf is not operationally available. Mr. Bartlett has previously explained that 149.7 Bcf is not “realistically achievable” and is “simply not achievable” in more detail in DAS 3.06 (a), 3.06 (c) and DAS 6.09.
- e. The 149.7 Bcf is still the historic maximum non-coincident working gas capacity which Nicor Gas testified about in 04-0779; however, that amount is not achievable today.

*Witness:* Robert R. Mudra

**DAS 7.18**

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0367**  
**DAS Seventh Set of Data Requests**

- DAS 7.18 Q. With regard to Nicor Gas Ex. 29.0, p. 37, lines 795-799, Mr. Mudra states that Nicor Gas knows that the 149.7 Bcf is not "operationally available."
- a. Does Nicor Gas believe that the current charge too low and is not just and reasonable?
  - b. Does Nicor Gas believe that the current SBS allocation is too high and is not just and reasonable?
  - c. Was the 149.7 Bcf operationally available in the last rate case?
  - d. What has changed since 2004 that would cause the Commission to reconsider a matter that they already determined?
- DAS 7.18 A.
- a. Yes. The current charge is \$.0029 per therm of capacity and the proposed charge is \$.0042 per therm of capacity.
  - b. Yes. The 149.7 Bcf of capacity established in 04-0779 is unachievable and 134.6 Bcf of storage capacity is available.
  - c. No.
  - d. The Commission should recognize, that since Nicor Gas' last rate case the total maximum non-coincident level of working gas in storage for the years 2005 through 2007 was 138.9 Bcf, 135.0 Bcf and 134.1 Bcf respectively as supported by Nicor Gas' response to CNE 2.22 and summarized by witness Fabrizio (CNE-Gas Exhibit 1.0 p. 12). Furthermore, the Commission should also recognize that these totals are roughly equivalent to the 134.6 Bcf level of non-coincident capacity which Nicor Gas witness Mr. Bartlett has indicated is operationally available. The Commission should therefore recognize that there is a difference between the historic maximum non-coincident storage capacity of 149.7 Bcf which Mr. Bartlett has stated is "simply not achievable" (DAS 6.09) and is not "realistically achievable" (DAS 3.06 a) and the Company's realistically forecasted amount of non-coincidental storage capacity of 134.6 Bcf which is operationally available and is supported by actual storage capacity utilization since 2005. The Company believes the Commission should treat both Sales and Transportation customers equally and not harm Sales customers by over-allocating storage capacity to Transportation customers by allocating based on a 149.7 Bcf level which is unrealistic, unachievable and has not in fact actually occurred since the last rate case.

*Witness:*

Robert R. Mudra

NRC 009297

**DAS 7.19**

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 08-0363**  
**DAS Seventh Set of Data Requests**

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- DAS 7.19 Q. With regard to Nicor Gas Ex. 29.0, p. 39, lines 844-846 and Mr. Mudra's criticism of Mr. Sackett's assertion that Nicor Gas was trying to base a capacity charge on actual usage.
- a. Is it Mr. Mudra's position that the non-coincident working gas capacity?
  - b. Is it Mr. Mudra's position that the non-coincident working gas capacity of 134.6 Bcf is different than the amount of the gas the Company *expects* to cycle?
  - c. How is this consistent with Mr. Mudra's direct testimony where he claims that the SBS charge denominator is based on the 134.6 Bcf which is the amount of working gas that Nicor expects to cycle in Ex. 14.0, p. 24?
  - d. Please provide a precise citation with page and line numbers to Mr. Bartlett's testimony referred to on line 847 of Ex. 29, p. 39.

- DAS 7.19 A.
- a. Objection, the question is incomplete.
  - b. Yes. The Company's plan assumes cycling approximately 130 Bcf out of the 134.6 Bcf (please see the Company's response to CNE 2.09).
  - c. Mr. Mudra's Direct Testimony refers to the amount of non-coincident storage capacity (134.6 Bcf) that the Company expects to cycle when Transportation customers cycle their entire storage capacity (Nicor Ex. 14: 536-538); however, Mr. Bartlett points out that while a majority of gas injected is planned for withdrawal the difference [between the 130 Bcf and the 134.6 Bcf] can be attributed primarily to parties holding storage capacity not fully cycling their inventory (please see the Company's response to CNE 2.09).
  - d. Mr. Bartlett's testimony is not referred to on line 847 of Mr. Mudra's Rebuttal Testimony; however, the Company believes the question refers to line 846 and the reference would then be to Mr. Bartlett's Direct Testimony, Nicor Gas Ex. 4.0 6:125-135.

*Witness:* Robert R. Mudra

CNE 2.12

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Constellation NewEnergy – Gas Division, LLC**  
**Ill.C.C. Docket No. 08-0363**  
**CNE Second Set of Data Requests**

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CNE 2.12 Q. Referring to Nicor Gas Exhibit 4.0 (direct testimony of Gary Bartlett), at page 22, Mr. Bartlett states that Nicor does not propose to change the current number of days of storage capacity from 28.

- a. Why is Nicor not proposing to change the current number of days of storage capacity?
- b. Is Nicor not proposing to change the current number of days of storage capacity because there are no changes to the formula and the input data used to derive the 28 day requirement?
- c. Is Nicor not proposing to change the current number of days of storage capacity because the new input data for the 2009 rate case also comes out to a result of 28 days?
- d. If there is any change from the 2004 rate case to the formula or input data that were used to derive the 28 days for the current rate case, please provide the formula and the associated input data for this case?
- e. Please provide any workpapers supporting the calculation of the 28 days of storage capacity.

CNE 2.12 A. a. Based on updated information, the calculation resulted in 28 days of storage capacity.

- b. No.
- c. Yes.
- d. See Nicor Gas' response to IIEC 1.02.
- e. See Nicor Gas' response to IIEC 2.02.

*Witness:* Robert R. Mudra

CNE 3.01

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Constellation NewEnergy – Gas Division, LLC**  
**Ill.C.C. Docket No. 08-0363**  
**CNE Third Set of Data Requests**

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CNE 3.01 Q. CNE-Gas 2.55 asked:

Referring to Nicor Gas Exhibit 4.0 (direct testimony of Gary Bartlett), at page 22 Mr. Bartlett states the total volume available to transportation customers has been about 35 Bcf.

a. Please provide the formulas that are used to determine this is the appropriate amount of storage volume to make available to transportation customers.

b. Please provide any studies or analysis that supports the allocation of storage capacity between transportation, system and Customer Select customers.

The response provided by Nicor was for 135 Bcf, not the 35 Bcf discussed at page 22 of Mr. Bartlett's testimony. Please respond to the question as it relates to the 35 Bcf discussed in Mr. Bartlett's testimony.

CNE 3.01 A. a. Nicor Gas calculates an equal amount of peak day storage capacity per customer to make available to all of its Sales, Customer Select and Transportation customers during its general rate case proceedings. The calculation of the available number of peak days of storage capacity (MDCQ days) is computed by dividing the 2009 test-year total storage allocation of 1,346,333 therms by the total amount of peak-day therms of 49,000,000. This results in 27.5 which was rounded to 28 days.

Please see Nicor Gas' response to data request REC 1.12 which shows the estimated amount of available storage capacity by month for Transportation customers which is approximately 35 Bcf. The 35 Bcf figure results from the sum of the Transportation customers' Maximum Daily Contract Quantity (MDCQ) times 28 peak days of storage for customers served under Transportation service Rates 74, 75, 76 and 77 and Rider 25. The storage purchased by customers served under contract Rates 17 and 19 is also added to the above amount.

b. Please see item (a) above.

*Witness:* Robert R. Mudra

# NRC Staff 2.01

Response to Nicor Gas Company  
Second Set of Data Requests to Staff  
Docket No. 08-0363  
Response of Staff Witness Maple

ICC Person Responsible: Mark Maple  
Title: Senior Gas Engineer, Energy Division  
Business Address: Illinois Commerce Commission  
527 East Capitol Avenue  
Springfield, IL 62701

NRC Staff 2.01:

Has the information relating to the Northern Region Reporting Center ("NRRC"), as provided in Company witness D'Alessandro's surrebuttal testimony, altered Mr. Maple's position concerning the inclusion of the NRRC in the Company's 2009 test year rate base?

Response:

After visiting the NRRC on November 7, 2008, and reviewing Mr. D'Alessandro's Surrebuttal testimony, Mr. Maple has determined that Nicor is justified in including \$5.9 million in the Company's 2009 test year rate base attributed to the NRRC.

# NRC Staff 3.01

**Illinois Commerce Commission  
Response to: Northern Illinois Gas Company  
d/b/a Nicor Gas Company  
Ill.C.C. Docket No. 98-0363  
Company 3rd Set of Data Requests**

**DATA REQUESTS**

NRC Staff 3.01 Q: At lines 82-83 of the Rebuttal Testimony of Christopher L. Boggs (Staff Ex. 21.0), Mr. Boggs states "I am not able to recommend approval of the Company's proposed tariff language regarding this issue." In his rebuttal testimony, Mr. Boggs generally discusses his examination of the Company's proposed changes to Rider 8. At lines 78-80, Mr. Boggs indicated a willingness to consider further information and states that he propounded additional data requests on the Company. In response to Mr. Boggs' data requests, the Company provided responses to CB Fourth Set of Data Requests. The Company provided supplemental responses to CB 4.02-4.04 and 4.08. Based on his review of the Company's testimony and all initial and supplemental responses to data requests, does Mr. Boggs now recommend approval of the Company's proposed modifications to Rider 8?

NRC Staff 3.01 A: Yes. Based on the supplemental answers to the Data Request CB 4.01-4.09, I will recommend approval of the Company's proposed language modifications to Rider 8. However, Mr. Boggs recommends that paragraph 2, **Local Governmental Utility Tax Charge**, under Rider 8 in point (3) be amended as follows: "the increase, or decrease in taxes and other payments to governmental bodies resulting from the additional charge."

Staff Witness: Christopher Boggs